

Message Text

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FM SECSTATE WASHDC

TO USLO PEKING

INFO AMCONSUL HONG KONG

AMEMBASSY SEOUL

S E C R E T STATE 194262

EXDIS

E.O. 11652: GDS

TAGS: CH, KN, ETRD

SUBJECT: PRC INTEREST IN BOEING AIRCRAFT FOR NORTH KOREA

REF: PEKING 1276

1. DEPARTMENT HAS HAD NUMBER OF DISCUSSIONS WITH BOEING OFFICIALS ON HOW TO HANDLE THIS MATTER, PARTICULARLY MACHIMPEX STATEMENT TO BOEING OFFICIALS IN JULY THAT IF NECESSARY TO MEET THE REQUEST FROM THE NORTH KOREAN AIRLINE, CHINESE WOULD TRANSFER TO THAT AIRLINE SEVERAL OF THE BOEING 707S ALREADY DELIVERED TO CHINA. DEPARTMENT DECIDED THAT IN ADDITION TO PROVIDING BOEING A LETTER OUTLINING USG POSITION WHICH BOEING COULD USE WITH MACHIMPEX, WE WOULD ALSO DISCUSS MATTER WITH PRCLO.

2. ACCORDINGLY, ACTING ASSISTANT SECRETARY HUMMEL ON SEPT. 5 CALLED IN PRCLO ACTING DEPUTY CHIEF TSIENTA-YUNG (WHO WAS ACCOMPANIED BY CHI CHAO-CHU) AND MADE FOLLOWING PRESENTATION:

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-- SOME TIME AGO, BOEING INFORMED US THAT MACHIMPEX, THE

CHINESE STATE TRADING CORPORATION, ADVISED BOEING THAT IT WAS INTERESTED IN BUYING FIVE OR SIX MORE BOEING 707S. WE ARE OF COURSE PLEASED THAT MACHIMPEX IS INTERESTED IN OBTAINING MORE BOEING AIRCRAFT.

-- HOWEVER, MACHIMPEX INFORMED BOEING THAT IT WOULD WISH TO TRANSFER TWO OR THREE OF THE AIRCRAFT TO THE NORTH KOREAN AIRLINE. THIS PROPOSAL RAISED A SERIOUS QUESTION, SINCE OUR REGULATIONS PROHIBIT THE EXPORT OF ANY ITEM TO ANY COUNTRY IF THE ULTIMATE DESTINATION IS NORTH KOREA.

-- AFTER A VERY CAREFUL HIGH LEVEL REVIEW OF THIS QUESTION, WE INFORMED BOEING THAT THE US GOVERNMENT COULD NOT AUTHORIZE BOEING TO SELL AIRCRAFT TO MACHIMPEX IF THE AIRCRAFT WERE TO BE TRANSFERRED TO THE NORTH KOREAN AIRLINE. BOEING INFORMED MACHIMPEX OF THIS POSITION DURING A VISIT OF BOEING OFFICIALS TO PEKING IN JULY.

-- WE WERE THEREFORE PERTURBED WHEN BOEING REPORTED TO US THAT DURING THOSE DISCUSSIONS, MACHIMPEX HAD INDICATED THAT IF NECESSARY TO MEET THE NEEDS OF THE NORTH KOREAN AIRLINE, SEVERAL OF THE BOEING 707S ALREADY DELIVERED TO CHINA WOULD BE TRANSFERRED TO NORTH KOREA.

-- WE HOPE THAT BOEING MISINTERPRETED THE MACHIMPEX REMARKS. WE NOTE, FOR EXAMPLE, THAT A MACHIMPEX LETTER OF JUNE 1, 1973 TO BOEING INCLUDED A STATEMENT THAT THE TEN AIRCRAFT WHICH HAD BEEN PURCHASED "ARE TO BE OPERATED BY THE CIVIL AVIATION ADMINISTRATION OF CHINA IN ITS DOMESTIC AND INTERNATIONAL AIRLINES." ALSO, THE BOEING INVOICES COVERING THOSE AIRCRAFT INCLUDED THE STATEMENT, "THESE COMMODITIES LICENSED FOR ULTIMATE DESTINATION TO PEOPLE'S REPUBLIC OF CHINA. DIVERSION CONTRARY TO U.S. LAW IS PROHIBITED."

-- WE THEREFORE HOPE THAT MACHIMPEX IS NOT SERIOUSLY CONSIDERING THE IDEA OF TRANSFERRING ANY BOEING AIRCRAFT TO THE NORTH KOREA AIRLINE. SUCH A MOVE COULD SERIOUSLY IMPAIR OUR TRADING RELATIONSHIP, INCLUDING PARTICULARLY THE LICENSING OF ITEMS COVERED BY OUR EXPORT CONTROLS.

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-- REGARDING THE ORIGINAL MACHIMPEX PROPOSAL, ALTHOUGH WE CANNOT AT THIS TIME AUTHORIZE BOEING TO SELL AIRCRAFT WHICH WOULD BE TURNED OVER TO THE NORTH KOREAN AIRLINE, WE WOULD BE PREPARED TO RECONSIDER THE MATTER IF THERE IS INCREASED STABILITY ON THE KOREAN PENINSULA.

-- HUMMEL CONCLUDED BY NOTING THAT HE WAS DISCUSSING THIS

SUBJECT WITH TSIEN AT DIRECTION OF THE SECRETARY.

3. TSIEN ASKED IF THIS CONSTITUTED RESPONSE TO MACHIMPEX, OR DOES BOEING PLAN TO CONTACT MACHIMPEX. HUMMEL SAID WE UNDERSTAND BOEING WILL BE IN TOUCH WITH MACHIMPEX.

4. TSIEN THEN MADE FOLLOWING "PERSONAL COMMENTS":

-- CHINA AND DPRK ARE SOCIALIST COUNTRIES WHOSE RELATIONSHIP IS ONE OF MUTUAL SUPPORT AND HELP. THIS IS PRC'S CONSISTENT POSITION. REGARDING THE BOEING AIRCRAFT QUESTION THE PRC WOULD PROCEED FROM THAT CONSISTENT POSITION. PRC RELATIONSHIP WITH DPRK IS NOT QUESTION OF TRADE BUT OF MUTUAL AID.

-- REGARDING THE ALLEGED STATEMENT BY MACHIMPEX ON TRANSFERRING AIRCRAFT ALREADY PURCHASED, AS HUMMEL SAID, THIS MIGHT BE A MISUNDERSTANDING. HE (TSIEN) HAS NO PERSONAL KNOWLEDGE OF THIS MATTER AND SINCE IT IS MERELY AN ASSUMPTION, AND PERHAPS A MISUNDERSTANDING, IT'S NOT NECESSARY TO COMMENT FURTHER.

-- WITH RESPECT TO HUMMEL'S STATEMENT THAT US-PRC TRADE RELATIONS MIGHT BE ADVERSELY EFFECTED, PRC POSITION IS THAT IN ACCORDANCE WITH SHANGHAI COMMUNIQUE, DEVELOPING TRADE ON BASIS EQUALITY AND MUTUAL BENEFIT IS TO THE BENEFIT OF BOTH SIDES. BEFORE PRESENT US-PRC RELATIONSHIP ESTABLISHED, FOR TWENTY YEARS THERE WAS NO TRADE. DURING THAT PERIOD, PRC BUILT ITSELF UP ON BASIS OF SELF-RELIANCE AND DID VERY WELL. BUT OF COURSE, PRC DOES HOPE TO DEVELOP TRADE ON BASIS OF SHANGHAI COMMUNIQUE.

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-- TSIEN SAID HE HAD TAKEN NOTE OF HUMMEL STATEMENT AND WOULD REPORT TO AMBASSADOR HUANG.

5. HUMMEL RESPONDED THAT IT GOES WITHOUT SAYING THAT WE ALSO ADHERE TO THE SHANGHAI COMMUNIQUE REGARDING THE DEVELOPMENT OF TRADE ON THE BASIS OF EQUALITY AND MUTUAL BENEFIT. THE PURPOSE IN TALKING TO TSIEN TODAY WAS TO MAKE CLEAR THAT WE WANT TO AVOID UNNECESSARY PROBLEMS IN THIS TRADE RELATIONSHIP.

6. BOEING OFFICIALS HOPE TO VISIT PEKING IN SEPTEMBER TO CONTINUE DISCUSSIONS WITH MACHIMPEX, PARTICULARLY REGARDING CHINESE INTEREST IN ADDITIONAL BOEING AIRCRAFT FOR CAAC'S OWN USE. WE WILL ASK BOEING OFFICIALS TO CONTACT USLO. DEPARTMENT'S LETTER TO BOEING (COPY BEING

POUCHED) IS SIMILAR IN SUBSTANCE TO HUMMEL'S PRESENTATION.
(FYI, IN OUR DISCUSSIONS BOEING DID NOT ARGUE FOR
RECONSIDERATION OF OUR BASIC POSITION.) INGERSOLL

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